

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Annual Assessment of the Status of)	
Competition in the Market for the)	MB Docket No. 04-227
Delivery of Video Programming)	
)	
)	

REPLY COMMENTS OF THE WALT DISNEY COMPANY

These reply comments (“Reply Comments”) are submitted on behalf of The Walt Disney Company, ESPN (80% owned by Disney), Disney ABC Cable Networks Group (including The Disney Channel, ABC Family, Toon Disney and SOAPnet), The ABC Television Network and the ABC-owned television stations (hereinafter collectively referred to as “Disney”). In these brief Reply Comments, Disney responds to several discreet questions raised in the Commission’s Notice of Inquiry.

National Programming Services.

The NOI seeks information on the ownership, distribution, and content of national programming services. In response, Disney supplies the following information relating to its ownership of ESPN and the Disney ABC Cable Networks Group, as well as its equity ownership in other national programming services.

*ESPN.*¹

ESPN owns the following national programming networks, each of which is listed with its national reach as provided by Nielsen:² (1) ESPN (88,325,000 television households); (2) ESPN2 (87,123,000 television households); (3) ESPN Classic (54,325,000 television households); and (4) ESPNEWS (42,356,000 television households). ESPN also owns the recently-launched Spanish language network, ESPN Deportes, which is gaining in distribution in Spanish language households across the country.

The NOI also asked about the amount of high definition (“HD”) programming on cable and satellite. On March 30, 2003, ESPN launched ESPN HD, a national programming service that provides high definition sports programming. ESPN HD is on track to air 180 HD telecasts during 2004, including games of the National Football League, Major League Baseball, the National Basketball Association, the National Hockey League, NCAA Football and Basketball, the NCAA Women’s Final Four, and the College World Series. In June 2004, ESPN opened the ESPN Digital Center, which is the largest digital facility in North America and began producing every edition of its flagship news program, SportsCenter, in HD every day.

Disney ABC Cable Networks Group

The Disney ABC Cable Networks Group owns and operates the following national programming networks, each of which is listed with its national reach as provided by Nielsen:³ (1) ABC Family Channel (87,039,000 television households); (2) Disney Channel (83,760,000

¹ As disclosed above, ESPN is 80% owned by Disney. The other 20% is owned by The Hearst Corporation.

² Nielsen Cable Network HH Universe Estimates, July 2004.

³ Id.

television households); (3) Toon Disney (46,521,000 television households); and (4) SOAPNet (38,747,000 television households).

Disney Equity Interests

Disney owns equity in the following national programming networks:⁴ (1) Lifetime (87,518,000 television households) and Lifetime Movie (42,636,000 television households);⁵ (2) A&E (87,497,000 television Households), History Channel (86,263,000 television households), and Biography (30,415,000 television households);⁶ and (3) E! (84,282,000 television households) and Style (36,032,000 television households).⁷

Programming Packaging.

The NOI requests comment on programming packaging and marketing. Disney filed extensive comments in the Commission's recent proceeding regarding A La Carte and Themed Programming Tiers, arguing that any form of A La Carte would result in consumers paying more for less. A copy of Disney's comments in that proceeding are attached to these reply comments as Attachment 1. As part of those comments, Disney submitted two economic studies, one of which addresses the benefits of bundling and the costs of any form of A La Carte, and one of which addresses the value of the ABC Owned Television Stations for the purpose of retransmission consent. A copy of Disney's reply comments are also attached to this filing, as Attachment 2.

As described in detail in Disney's comments and reply comments, Disney does not tie its most popular programming services. Specifically, Disney does not require MVPDs to carry any

⁴ Id.

⁵ Owned 50% by Disney and 50% with The Hearst Corporation.

⁶ Owned 37.5% by Disney, with other interests owned by The Hearst Corporation and GE

⁷ Owned 39.6% by Disney, with other interests owned by Comcast and Liberty Media.

of its programming services as a prerequisite to carrying Disney's most popular programming services (namely, the signals of the ABC-owned television stations, ESPN, or Disney Channel). In fact, Disney offers carriage of its ABC-owned television stations on a standalone basis for cash payments equal to far less than the actual value of such services. Disney also does not require carriage of all its programming services on only the basic or expanded basic tier.

Broadcast Television.

The NOI asks a series of questions relating to broadcast television, and most specifically, digital broadcast television service. Disney is responding to those requests with the following information.

The ten ABC Owned Television stations all are on the air in digital, and all are operating at full power, with the exception of WABC in New York.⁸ In addition, the ten ABC Owned Television stations currently are all experimenting with multicasting additional local content (including local news and weather), as outlined in letters previously sent to the FCC that are attached to these comments as Attachment 3.⁹

As for The ABC Television Network, ABC broadcasts a significant amount of HD programming, including all of ABC's scripted comedies, dramas, and theatrical movies, as well as major sporting events such as Monday Night Football, the NAB Finals, and the Stanley Cup

⁸ As of September 11, 2001, WABC was operating in digital from the former World Trade Center. WABC has returned to the air in digital, from a site at Four Times Square in New York City.

⁹ Additional details of the ABC Owned Stations' DTV operations were provided to the FCC previously in response to the DTV Survey conducted last year.

championship. ABC also broadcast the Academy Awards this year in HD. ABC's selected DTV format is 720 Progressive (720p), including Dolby Digital 5.1 channel surround sound.¹⁰

ABC News recently launched an innovative new service to provide ground-breaking expanded convention and continuous election coverage for delivery on multiple platforms. This service – called ABC News Now – was launched in July and will be offered through the Presidential election. As part of this service, ABC News is offering the 24/7 news channel to its broadcast affiliates for transmission over their digital television signal as a multicast channel. All ten ABC owned stations currently are carrying the service. The details of ABC News Now are explained further in the press releases attached as Attachment 4, and the daily schedule for ABC News Now can be viewed by visiting www.abcnewsnow.com.

Disney hopes the Commission finds these reply comments to be helpful. Please contact the undersigned with any questions.

Respectfully submitted,

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¹⁰ Additional technical details of the ABC Network's digital transmission were provided to the FCC in response to the DTV Survey conducted last year.